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SUBJECT: Israeli Climate Change Policy Faces Grim Reality

¶1. (SBU) Summary. Israel's Environmental Protection Ministry (MEP) admits that its evolving climate change policy will not be able to reduce the country's CO2 emissions anywhere near the degree that climate change advocates recommend. Studies project a full doubling of Israel's emissions from today until 2030. Even a full-scale conservation and conversion effort may still yield a 30 percent rise in output. GOI plans a substantive delegation going to the Climate Change summit in Copenhagen, though acknowledges that its contribution may disappoint. End Summary.

¶2. (U) In early November, Israeli Environment Minister Gilad Erdan received the final report commissioned from McKinsey and Company on the country's future greenhouse gas emissions. The report projects that the current 71 million tons of CO2 Israel produces will rise to 142 million tons by 2030 in the "business as usual" forecast, a full 100 percent increase. The new data will form the basis for the National Plan which the MEP is preparing. The McKinsey data are even more grim than a previous study done by an Israeli firm, which last spring forecast a 63 percent increase in GHG emissions over a year 2000 baseline by 2025. At present, Israel's per capita emissions data place it between Japan and the UK, about half the US per capita rate, according to IEA figures.

¶3. (U) The news disappoints the increasingly vocal environmental lobby, but MEP officials defensively note that the countries able to score major reductions in CO2 output from 1990 or 2000 levels had major smokestack industries (steel, automobiles, heavy manufacturing) that were dismantled or renovated, whereas Israel has none of these. Israel has less high-polluting industry to give up. The bulk of projected emissions growth in Israel will occur because of growth in population, which is increasing by 1.3 percent annually, rising living standards, and rising energy consumption - particularly for water desalination.

¶4. (U) MEP plans to tackle the challenge through both short-term investments and long-term social policies. At present 55 percent of Israel's GHG emissions come from electricity generation, 18 percent from transportation, 10 percent from garbage and waste treatment, and 5 percent each from agriculture, cement, and building sectors. The government's goal of producing 10 percent of its electric power from alternative sources (chiefly solar) by 2020 may be bumped up to 25 percent by 2030. Other potential cuts could be realized by improving lighting efficiency nationwide, moving to electric cars, and making homes and offices more thermally efficient to save on energy. Longer term behavioral modifications in Israelis could potentially net energy savings through greater use of public transportation, using 15 percent less water, turning air conditioning thermostats 2 degrees higher, and consuming less meat. McKinsey estimated that together these actions could hold the emissions rise to only 91-97 million tons - still 30 percent above today's level but nearly 70 percent less increase than would otherwise be generated.

¶5. (SBU) The McKinsey report included emissions from the Occupied Territories in the Israeli data. This added 6 percent (8 million tons) to the total. Should the PA component be subtracted, Israeli emissions growth might decline further from the projected level, due to the impact that greater demand from an on average younger, lower standard of living Palestinian population is having on the energy use forecast.

¶6. (U) Yossi Inbar, Director General of MEP speaking at a Water Technology conference November 18, defended the country's growth of energy use by noting Israel's 4 to 5 percent GDP growth rate over the past few years (although this year growth will slip to under 1 percent). This growth rate exceeds that of the OECD average, and on top of the population growth rate substantiates growing energy consumption. The prospective doubling of Israel's economy by 2030 while emissions increase only 30 percent implies significant improvement in energy efficiency. Energy use for desalination will have a major impact. Israel's energy constraints are clear, Inbar said: it has no hydroelectric possibilities, nuclear is unadvisable given the region's politics, and the country has no coal or oil deposits, and only recently discovered some natural gas offshore - which will take 2-3 years to tap into. He was guarded about Israel's ability to ramp up solar and wind to 25 percent of consumption, observing that it requires 2 hectares of land per megawatt of concentrated solar thermal power. He doubted that 200 square kilometers of Israel could be dedicated to energy production.

¶7. (SBU) Comment: MEP officials acknowledge that Israel's incipient national plan may not be impressive compared to others to be unveiled in Copenhagen, but it is realistic and reflects Israel's unique economic niche. Israel features a developing country growth

rate, but with a developed nation's living standard and rate of energy use. GOI incentives to promote private-sector investment in alternative energy production are generating commercial interest here. For example, the GOI's long-term guarantee of higher feed-in tariffs for solar-generated electricity have attracted attention from Arava Power/Global Sun Israel, which is planning several projects in the Arava region (Arava Power has approached OPIC for financing). MEP officials underscore that Israel's overall contribution to global GHG emissions is paltry compared to that of other countries, about three-tenths of 1 percent of global CO2. Nonetheless, they evidence some concern that OECD members will find the Israeli climate change program disappointing.

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